

## Legal Summaries

### Prakas

#### Tax Incentive for Educational Establishments

The Ministry of Economy and Finance issued the Prakas No.904 on Tax Incentive for Educational Establishments dated 08 August 2016.

The purpose of the Prakas is to provide tax incentive for education sector to support human resource development with high qualification and to reduce the expenses of parents and guardian of students. The objective is to determine mechanism in implementing on **profit tax, withholding tax, and value added tax** for the educational establishments.

The meaning of “educational establishments” in the Prakas refer to **public and private** educational establishments which provide pure educational service from **kindergarten to higher education**. It also includes **technical and vocational training establishments**.

#### Tax Incentives

- *Minimum Tax, Profit Tax and Prepaid Profit Tax*
- *Provision of scholarship to student*
- *Withholding Tax*
- *Value Added Tax*

##### a. Minimum Tax, Profit Tax and Prepaid Profit Tax

1. Suspend the payment of Minimum Tax 1% on annual revenue until the end 2018
2. Suspend the payment of Prepaid Profit Tax until the end of 2018
3. Pay profit tax only if there is profit

b. Provision of scholarship to student: the grant of scholarship to student either with free of charge or discount will not be considered as taxable revenue for the calculation of annual profit tax → documents of proof needed.

##### c. Withholding tax

- For **resident**: (1) exempted for management or consultation service or similar services which are directly involved with student education, and (2) apply withholding tax for services on construction, engineering, architecture and other services which is indirectly involved with student education; and

rent of movable or immovable property, commission and interest.

→ Receipt or document to verify on the payment shall be submitted to tax administration office every month.

- For **non-resident**:

(1) exempted for management and technical services which is directly involved with student education.

(2) apply withholding tax on interest, commission, renting fee and other revenue involving the use of property and dividend.

d. Value Added Tax

(1) Educational service and the supplies of goods and services to serve the education which includes also food and accommodation of students shall be considered as tax exempted supplies. Such tax exempted inputs shall not be in the form of loan, but allowed to be recorded as expense.

#### **Obligation of Educational Establishments**

- Tax registration
- Submit tax declaration submission to tax administration office (monthly and yearly)
- Possess appropriate accounting system
- Submit the audit report performed by Independent Accounting Commissioner for educational establishments that have annual revenue more than 2,000 million riels.

**Signed by**

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